

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EA-07 AID-05 CEA-01 CIAE-00  
COME-00 EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02  
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 DODE-00 PM-04  
H-01 L-03 NSC-05 PA-01 PRS-01 SS-15 USIA-06 /106 W  
-----040136Z 111997 /70

R 031451Z MAY 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3682

INFO ALL EC CAPITALS

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: PFOR, ETRD, VN, VS, EEC

SUBJECT: EC COMMISSION PROPOSAL TO ESTABLISH A UNIFORM STATE  
TRADING SYSTEM FOR SOCIALIST REPUBLIC OF VIET-NAM

REF: (A) EC BRUSSELS 1240, (B) 76 EC BRUSSELS A-456

1. SUMMARY: AFTER EXTENSIVE CONSULTATIONS WITH A COUNCIL  
WORKING GROUP, THE EC COMMISSION HAS SUBMITTED A PROPOSED  
DECISION TO THE EC COUNCIL TO GOVERN EC TRADE RELATIONS WITH  
THE SOCIALIST REPUBLIC OF VIET-NAM (SRV) UNDER ITS REGIME  
FOR STATE TRADING COUNTRIES. MEMBER STATES,  
HOWEVER, ARE ALLOWED TO PROVIDE UNILATERALLY LIBERALIZED IMPORT  
QUOTAS FOR A LIMITED NUMBER OF TRADITIONAL SRV EXPORTS. END  
SUMMARY.

2. A COUNCIL WORKING GROUP HAS BEEN DISCUSSING FOR SEVERAL  
MONTHS A UNIFORM TRADE REGIME FOR VIET-NAM. AFTER LENGTHY  
DISCUSSIONS WITH MEMBER STATE EXPERTS, THE EC COMMISSION  
RECENTLY SUBMITTED A DRAFT PROPOSAL TO THE EC COUNCIL CALLING  
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FOR INCLUDING THE SRV WITHIN THE EC'S RULES FOR STATE  
TRADING COUNTRIES. (THE MISSION HAS A COPY OF THIS CON-  
FIDENTIAL PROPOSAL, PLEASE PROTECT, AND IS SENDING IT  
TO EUR/RPE - MCLEAN AND EA/EP - GEBER). THE PROPOSAL  
NOTES THAT THE COMMUNITY CURRENTLY IS APPLYING ITS  
STATE TRADING SYSTEM TO NORTH VIET-NAM AND IS OFFERING  
GATT TREATMENT TO SOUTH VIET-NAM. IT SUGGESTS

EXTENDING ONE, UNIFORM SYSTEM TO UNIFIED VIET-NAM.

3. THE SRV IS A CENTRALLY PLANNED ECONOMY AND A STATE MONOPOLY CONTROLS ITS FOREIGN TRADE. THE COMMISSION CONSEQUENTLY CONCLUDES THE SRV SHOULD BE TREATED AS A STATE TRADING COUNTRY. MEMBER STATES REPORTEDLY UNANIMOUSLY AGREE WITH THIS CONCLUSION.

4. THE SRV, HOWEVER, DOES ALLOW PRIVATE ACTIVITIES IN INDUSTRY AND DOMESTIC TRADE. IN ADDITION, SRV AUTHORITIES HAVE AN OPEN ATTITUDE TOWARD THE EC AND ARE TRYING TO RECOVER FROM THE SEVERE DIFFICULTIES OF THE WAR. FOR THESE REASONS, THE COMMISSION PROPOSES THAT ITS STATE TRADING SYSTEM SHOULD BE APPLIED FLEXIBLY.

5. THE DRAFT DECISION RECOMMENDS A NUMBER OF QUOTAS FOR IMPORT INTO CERTAIN MEMBER STATES OF PRODUCTS OF INTEREST TO VIET-NAM AND PRODUCTS TRADITIONALLY EXPORTED BY VIET-NAM TO THE EC. THE PROPOSAL INCLUDES PRODUCT LISTS FOR LIBERALIZED QUOTAS FOR DENMARK, THE FRG, IRELAND, ITALY AND THE UK. THESE COUNTRY LISTS INCLUDE SUCH PRODUCTS AS MAN-MADE FIBER YARN, WOVEN FABRICS, VARIOUS OTHER TEXTILE FABRICS, TABLE WARE AND EGG ALBUMIN. THE COMMISSION HOPES THAT OTHER MEMBER STATES WOULD ALSO ALLOW SOME IMPORTS OF THESE ITEMS.

6. COMMENT: EC COUNCIL AND PERMDEL OFFICIALS SAY THAT COUNCIL WORKING GROUP DISCUSSIONS HAVE BEEN INTENSIVE BECAUSE OF FRENCH AND ITALIAN DESIRES TO LIMITED OFFICIAL USE

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TREAT SRV EXPORTS AS LIBERALLY AS POSSIBLE. A COMPROMISE WAS WORKED OUT BY DRAWING UP COUNTRY LISTS OF LIBERALIZED QUOTAS FOR KEY SRV EXPORTS. MEMBER STATES REPORTEDLY ARE PREPARED TO SUPPORT THE COMMISSION PROPOSAL. EC OFFICIALS ADD, HOWEVER, THAT THE TOTAL AMOUNT OF SRV TRADE TO THE EC IS ONLY \$4 - \$5 MILLION ANNUALLY. THE LIBERALIZED QUOTAS WILL NOT APPRECIABLY ADD TO THIS TRADE. END COMMENT.HINTON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Reference:** 77 EC BRUSSELS 1240, 76 EC BRUSSELS A-456  
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**TAGS:** PFOR, ETRD, VN, VS, EEC, SRV  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009